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# A STUDY OF THE BASELINE ECONOMIC IMPACTS OF HISTORIC PRESERVATION ON THE CITY OF COLUMBIA, MISSOURI

## MILESTONE #2: Executive Summary

APRIL 20, 2012



PREPARED FOR

THE CITY OF COLUMBIA

April 20, 2012

Ms. Rachel I. Bacon  
Community Development Department  
701 E. Broadway, P.O. Box 6015  
Columbia, Missouri 65205

Re: Economic Impacts of Historic Preservation in Columbia: Milestone 2 Executive Summary

Dear Ms. Bacon:

Development Strategies is pleased to submit this Milestone 2 executive summary regarding our consulting assignment to model and document the economic impacts of historic preservation in Columbia. The report contains our research on the topics previously discussed, a brief analysis of research to date, and explanations of areas of further study. The report is intended to summarize our findings to date as well as provide a basis for the next phases of research.

Please let us know if we can provide further clarification.

Respectfully submitted and approved on behalf of  
DEVELOPMENT STRATEGIES, INC.



Robert M. Lewis, AICP, CECd  
*Principal*



Kyle Zaylor  
*Economic Analyst*

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The purpose of this report is to evaluate the direct and indirect (i.e. multiplier effects) of historic preservation on the city of Columbia. The intent of this report is to provide an explanation and brief analysis of research to date. The elements of the final report are in development and will be better understood through additional research that will take place during the next phase of the study.

## ANALYSIS OF ECONOMIC IMPACTS: INTRODUCTION

Investment in historic preservation, through construction efforts and continued operations, begets further economic activity as money is spent to rehabilitate and operate historic facilities, and as employees spend their wages to support their households. Spending by the facilities to support operations and to pay employees is a “direct impact” on the economy. Subsequent spending causes “multiplier effects” in the larger economy. These multiplier effects can be estimated for given geographic areas using *multiplier coefficients*. Coefficients used in this report were obtained from the U.S. Department of Commerce, Bureau of Economic Analysis, from its Regional Input-Output Multiplier System, or RIMS II.

RIMS II multipliers are available for sixty aggregate industries as classified by the North American Industry Classification System (NAICS). Several industries would apply to the economic activity that takes place because of historic preservation and heritage tourism, including:

- *Construction*, because of the construction activity required to rehabilitate the facilities.
- *Museums and historical sites*,
- *Other amusement and recreation industries*,
- *Households*, because of the wages paid to employees, which are presumed to be spent locally and statewide.

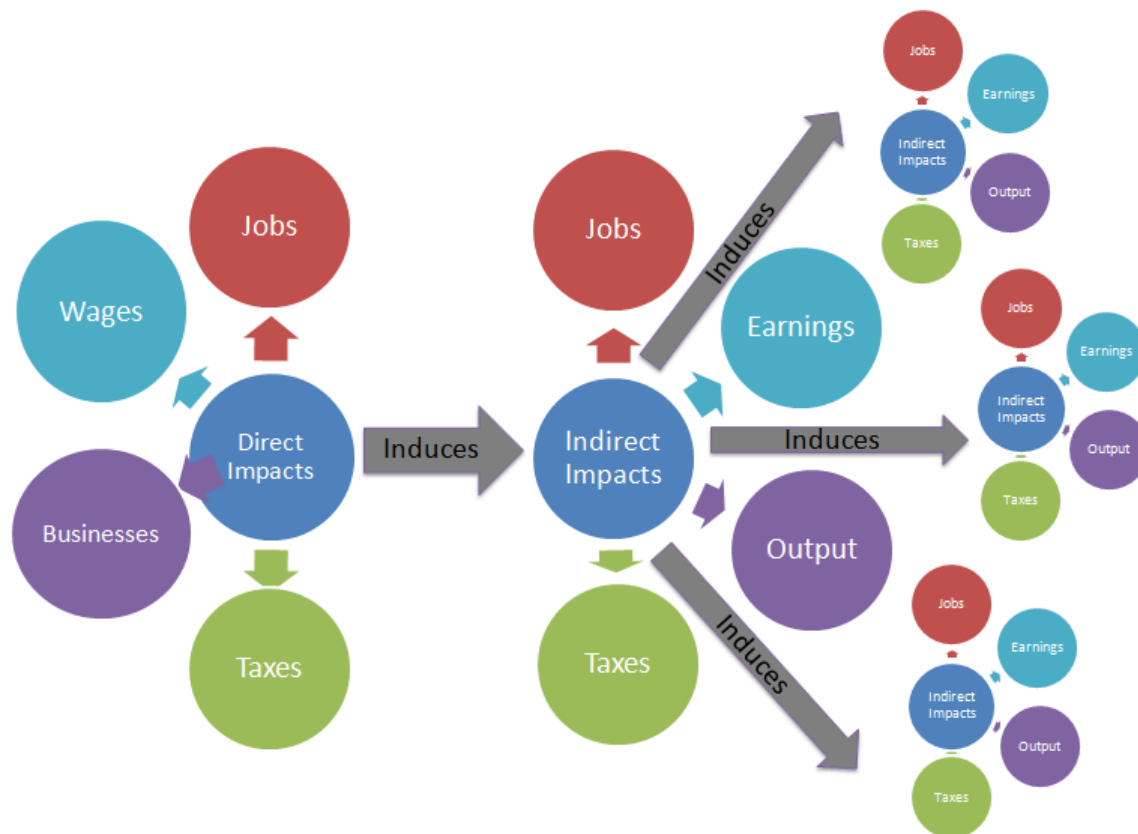
Economic impacts are therefore based on four major data inputs:

- **Capital expenditures**, such as the construction of facilities and spaces;
- **Payroll spending** for those who work on and for the facilities;
- **Other operational spending**;
- **Visitor spending**.

Multiplier effects are demonstrated in three primary ways:

- 1) **Output** is a measure of the impact on a specific geographic area’s (in this case, the city of Columbia) overall economic activity generated from the spending and re-spending triggered by business and household spending. The output dollars summarize *total new or added economic activity at all points of the production process* rather than just the effects on GDP (which is a measure of value to the ultimate purchaser). Output is a more robust and larger indicator of economic activity than GDP.
- 2) **Earnings** is a measure of how much of the total output is attributable to new income generated for households living in the targeted geographic area, which is, in this case the city of Columbia.
- 3) **Jobs** are supported in the target geography by direct expenditures in the city (through construction and operations), as well as those supported more broadly by visitor spending.

The following diagram illustrates how economic impacts work. Projects have direct impacts—in this case from construction, facilities operation, and overnight visitor spending—which translate into jobs, wages, businesses and overhead, and taxes. This spending has “multiplier effects”; as more jobs are created, more people spend money at restaurants, retail centers, etc., which begets more jobs. These in turn beget more jobs, leading to substantial indirect economic impacts.



Each round of spending, however, diminishes in size because some spending takes place outside of the subject jurisdiction. This “leakage” means fewer dollars for the next round of multiplier effects. Eventually, there are no dollars left from the original spending, thus defining a finite and measureable multiplier coefficient.

## OVERVIEW OF RESEARCH

By any measure, historic preservation is an important element to the local economy of Columbia. A recent study by the Missouri Growth Association associates 43,150 jobs and \$2.9 billion in private investment to historic preservation tax credit efforts in the state over the past decade.<sup>1</sup> In this context, it is understandable that cities and regions often focus significant efforts and resources on enhancing their respective communities' historic qualities. This has encouraged cities and regions—as well as their citizens—to invest in a wide range of neighborhoods, facilities, and attractions, ranging from downtown enhancements to museums, to individual housing preservation.

The research to date has been focused on collecting relevant data in order to understand the various historic preservation elements occurring in Columbia. The scope of the study has been focused on three key elements—historic preservation capital expenditures, cultural heritage and tourism, and the downtown district. These three pieces are further explained below.

### I. HISTORIC PRESERVATION CAPITAL EXPENDITURES

Historic tax credits have provided an incentive for private investment in historic preservation in the city over the last decade. Over \$80 million of real estate reinvestment can be attributed to historic preservation and development through the historic tax credit program. In turn, this has a tremendous effect on the economy of Columbia. These capital expenditures, paired with investments from the city and local universities, create measurable economic impact for the city.

Multipliers are used to understand the effects of capital expenditures on a given economy. Multiplier coefficients, however, are obtained only at the county level. The methodology for determining multipliers for Columbia was generally to adjust the Boone County multipliers downward to account for the relative size of Columbia's economy within the Boone County economy.

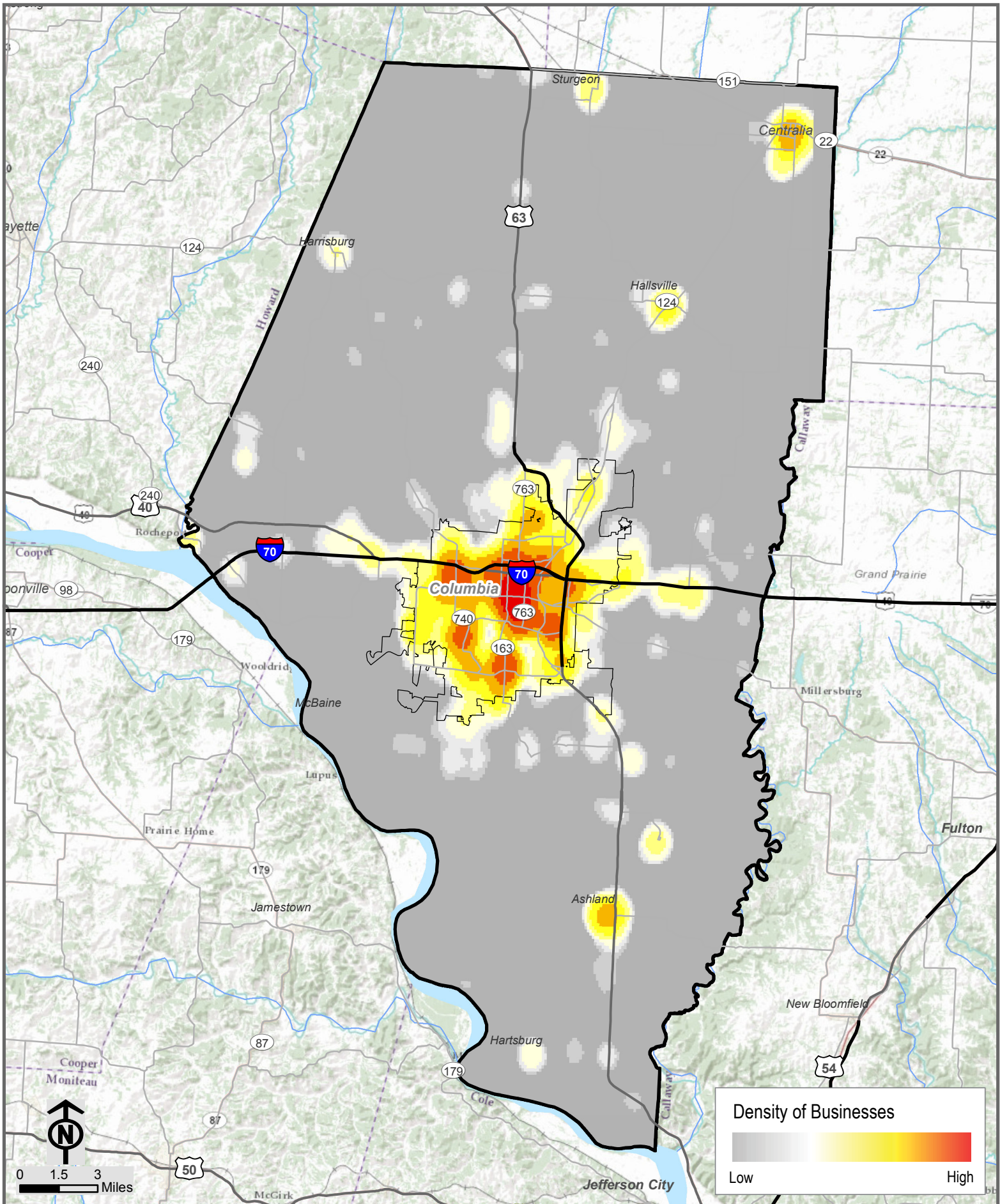
In order to quantify the relative size of the Columbia economy to the Boone County economy, comparisons were made to the size and number of businesses within Boone County and within Columbia. The rationale behind this comparison is that the number and size of businesses should indicate the relative size and strength of a given economy. In total, Boone County has 5,997 businesses; 4,655 these businesses are in Columbia. Using this ratio, the Columbia economy makes up 77.6 percent of the Boone County economy. This percentage is then applied to the Boone County multipliers to derive a city-level set of multipliers.

The following map demonstrates the concentration of businesses in Boone County and illustrates the size of the economy in Columbia compared to Boone County:

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<sup>1</sup> Coffin, Sarah L., Rob Ryan, and Ben McCall. *An Evaluation of the Missouri Historic Preservation Tax Credit Program's Impact on Job Creation and Economic Activity Across the State*. Rep. St. Louis: Missouri Growth Association, 2010. Print.





## DENSITY OF BUSINESSES

Economic Impact of Historic Preservation  
City of Columbia, Missouri

The multipliers are selected from categories that relate specifically to construction and historic preservation. For instance, the historic preservation of a building would likely have a direct economic impact on construction, architecture and planning, financial services, and legal disciplines. These multipliers are then weighted based on assumed total construction budget percentages.

The following tables show local multipliers specifically related to the construction industry used for Boone County and the city of Columbia:

#### Multipliers from Regional Input-Output Multiplier System (Table 1.5)

##### U.S. Dept. of Commerce, Bureau of Economic Analysis

BOONE COUNTY						
Industry and NAICS Code	Final-demand Output /1/ (dollars)	Final-demand Earnings /2/ (dollars)	Final-demand Employment /3/ (number of jobs)	Final-demand Value-added /4/ (dollars)	Direct-effect Earnings /5/ (dollars)	Direct-effect Employment /6/ (number of jobs)
230000 Construction	1.64	0.44	11.90	0.88	1.61	1.75
541300 Architectural, engineering, and related services	1.68	0.54	11.62	1.04	1.52	2.08
541100 Legal services	1.78	0.75	13.10	1.23	1.36	2.12
531000 Real estate	1.35	0.22	18.05	1.01	1.65	1.21
561100 Office administrative services	1.76	0.64	15.57	1.10	1.48	1.78
550000 Management of companies and enterprises	1.67	0.57	9.48	1.04	1.46	2.44
524200 Insurance agencies, brokerages, and related	1.67	0.48	12.02	0.99	1.61	2.00
523000 Securities, commodity contracts, investments, and related activities	1.77	0.67	19.85	1.04	1.43	1.49

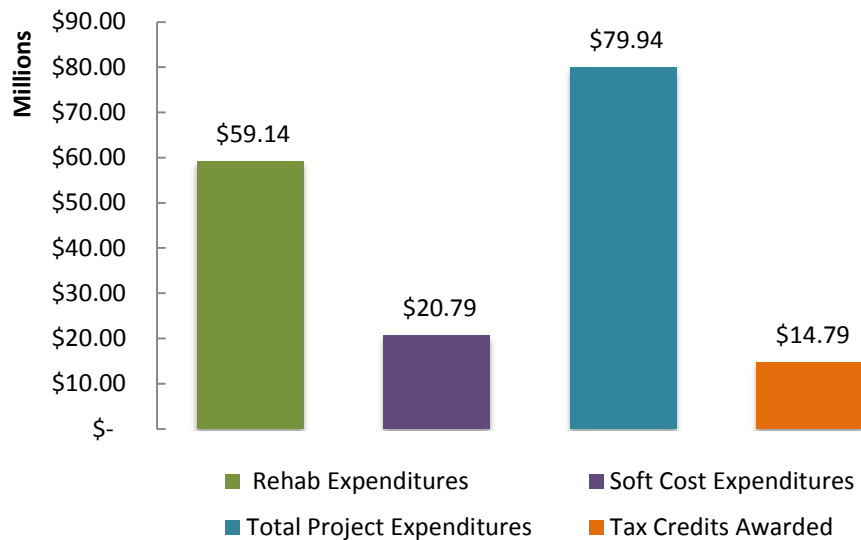
CITY OF COLUMBIA						
Industry and NAICS Code	Final-demand Output /1/ (dollars)	Final-demand Earnings /2/ (dollars)	Final-demand Employment /3/ (number of jobs)	Final-demand Value-added /4/ (dollars)	Direct-effect Earnings /5/ (dollars)	Direct-effect Employment /6/ (number of jobs)
230000 Construction	1.27	0.34	9.24	0.69	1.25	1.36
541300 Architectural, engineering, and related services	1.30	0.42	9.02	0.81	1.18	1.62
541100 Legal services	1.38	0.58	10.17	0.95	1.06	1.65
531000 Real estate	1.05	0.17	14.01	0.79	1.28	0.94
561100 Office administrative services	1.36	0.50	12.09	0.85	1.14	1.38
550000 Management of companies and enterprises	1.30	0.44	7.36	0.81	1.13	1.90
524200 Insurance agencies, brokerages, and related	1.29	0.37	9.32	0.77	1.25	1.55
523000 Securities, commodity contracts, investments, and related activities	1.37	0.52	15.41	0.81	1.11	1.15

Once multipliers are established at the city level, expenditures are divided into specific industries and disciplines that are involved in historic preservation. After researching historic preservation capital expenditure budgets and pro formas, the table below was created to allocate costs across the selected industries and disciplines.

Expenditure Breakdown	Percentage of Total Cost	Industry and NAICS Code
Hard Costs	74%	230000 Construction
Soft Costs	3%	541300 Architectural, engineering, and related services
	1%	541100 Legal services
	8%	531000 Real estate
	5%	561100 Office administrative services
	3%	550000 Management of companies and enterprises
	1%	524200 Insurance agencies, brokerages, and related activities
	5%	523000 Securities, commodity contracts, investments, and related activities



The selected multipliers are now aligned with capital expenditures for historic preservation in Columbia. The next step is to apply documented expense data to the multiplier model. The following chart outlines the total capital expenditures for all projects receiving historic tax credits in Columbia. The tall bar is the sum of the previous two bars (accounting for rounding errors) while the “tax credits awarded” bar is a subset of the total. Tax credits have supported, therefore, 18.5 percent of historic renovations, meaning that \$1.00 of tax credits supports another \$4.40 in private investment.



Total project expenditures, once adjusted for percentage spent in industry sub-sectors and disciplines, can be applied to the input/output model multipliers in order to understand direct and indirect spending, outputs, earnings, and jobs created. The total effects from the multipliers are seen in the table below.

CITY OF COLUMBIA						
Industry and NAICS Code	Final-demand Output /1/ (dollars)	Final-demand Earnings /2/ (dollars)	Final-demand Employment /3/ (number of jobs)	Final-demand Value-added /4/ (dollars)	Direct-effect Earnings /5/ (dollars)	Direct-effect Employment /6/ (number of jobs)
Construction	\$75,403,986	\$20,092,432	546	\$40,556,605	\$74,100,594	80
Architectural, engineering, and related services	\$3,124,871	\$1,009,368	22	\$1,942,251	\$2,828,984	4
Legal services	\$1,103,965	\$466,535	8	\$763,105	\$846,164	1
Real estate	\$6,717,704	\$1,094,722	90	\$5,028,973	\$8,203,469	6
Office administrative services	\$5,447,248	\$1,990,573	48	\$3,398,676	\$4,575,713	6
Management of companies and enterprises	\$3,109,798	\$1,054,774	18	\$1,931,272	\$2,710,442	5
Insurance agencies, brokerages, and related activities	\$1,034,304	\$296,322	7	\$616,464	\$999,505	1
Securities, commodity contracts, investments, and related activities	\$5,477,643	\$2,073,074	62	\$3,234,604	\$4,431,491	5
Hard Cost Multiplier Effects	\$75,403,986	\$20,092,432	546	\$40,556,605	\$74,100,594	80
Soft Cost Multiplier Effects	\$26,015,533	\$7,985,368	254	\$16,915,344	\$24,595,768	27
Total Multiplier Effects	\$101,419,518	\$28,077,800	800	\$57,471,949	\$98,696,362	107

AVERAGE ANNUAL ECONOMIC IMPACT OF HISTORIC PRESERVATION CONSTRUCTION			
	(1) Hard Costs	(2) Soft Costs	(3) Total
Direct Spending	\$59,142,000	\$20,795,000	\$79,937,000
<b>Multipliers</b>			
Output	1.27	1.25	1.27
Earnings	0.34	0.38	0.35
Employment	9.23	12.21	10.01
<b>ADDED ECONOMIC IMPACT ON COLUMBIA</b>			
Output	\$75,404,000	\$26,016,000	\$101,420,000
Earnings	\$20,092,000	\$7,985,000	\$28,077,000
Jobs	546	254	800

The above table summarizes that the \$79.94 million that has been reinvested in historic properties in Columbia since 2002 helped to support an estimated 800 jobs in the city as a result. These are jobs in addition to construction and related jobs initially supported by the direct spending. Those jobs are estimated to have totaled in the range of 500-600.

Additional research, which is underway, will determine the total capital expenditures of the city itself and local universities on historic preservation. The model only represents capital expenditures from historic tax credit projects. The model will be more robust once the additional expenses are accounted for.

## II. HERITAGE TOURISM

Evidence from around the United States indicates that cultural/heritage tourism—the visitation to museums, galleries, historic sites and landmarks, archeological treasures, cultural events, etc.—generates more spending, per person, than many other forms of tourism. Data provided by Mandala Research indicates that, on average, heritage tourists spend roughly 50 percent more per trip than all other leisure travelers, and such tourists tend to take longer trips.<sup>2</sup> Because of this, heritage tourism likely provides a large economic impact on Columbia and warrants further study.

Heritage tourists tend to be well-educated and earn more than other types of tourists. But heritage tourists are not homogeneous. Some fall under the category of “passionate” and seek out historic sites and events as the primary purpose of their trips, others are more casual travelers, with families of children, and still others are more active, and seek to incorporate a range of physical activities that they prefer have cultural or heritage components.

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<sup>2</sup> Mandala Research, LLC. “The Cultural and Heritage Traveler”, 2009.

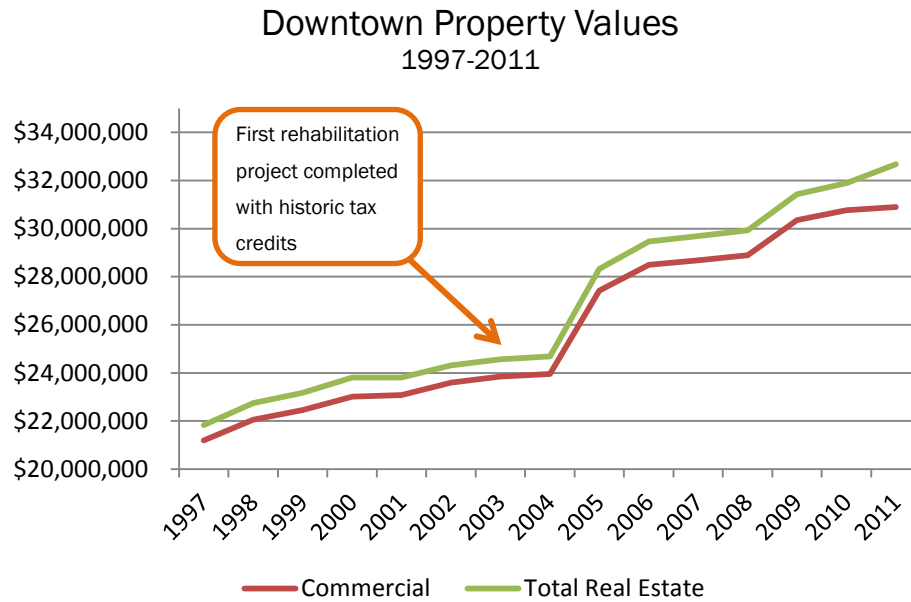
The city of Columbia attracts a certain number of overnight visitors due to heritage tourism events and facilities. Overnight visitors are important for the Columbia economy because they are typically the people who bring “new money” into the city’s economy. Data provided by the Columbia Convention and Visitors Bureau indicates that the average overnight party spends \$390 on things like food, lodging, and shopping. Of this, total travel spending per person is \$149 because the average party has 2.6 people. As a result, these visitors also contribute directly and indirectly to the economy, and these impacts can be measured. The industries most likely to be impacted are the following:

- *Food service and drinking places* because many visitors can be expected spend money at local area establishments before or after an event or site visit.
- *Retail trade*, because merchandise will be sold at the event or site visit, and many visitors can be expected to spend money at local area businesses before or after an event or site visit.
- *Transportation*, because many visitors will travel to the sites, whether in their own car, a rental car, bus, or air transportation.
- *Accommodation*, because some overnight visitors will stay at hotels/motels during their visit (while others will stay with family).

To date, the inputs for this economic impact modeling are incomplete. This data will be used along with expense data from noted heritage tourism events and sites in Columbia to determine multiplier effects from such visitation. Further investigation is needed to build the input/output model for heritage tourism in Columbia.

### **III. DOWNTOWN DISTRICT**

The downtown district has a large portion of the historic buildings in Columbia. Because of the efforts to preserve and maintain historic qualities in the downtown district, the city has benefitted economically. The intention with this section is to understand the economic benefits from maintaining and preserving the downtown district, whether from historic structures or not; downtown is a special place in Columbia, partly because of its historic role as the center of town. Research to date has focused on quantifying the economic activity that takes place in downtown in order to attribute a portion of that to historic preservation efforts. The chart below shows tremendous year over year growth in property values in downtown Columbia since the historic tax credits became available and used for local development.



This increase in property values has a large impact on tax benefits and economic activity for the city. The intention with the next phase of research is to understand the role historic preservation plays in these increases, and model the effects.

#### IV. CASE STUDIES

The focus on historic preservation in Columbia has produced many great examples of projects that create lasting impacts on the city, economy, and environment. Through historic preservation efforts, these projects have been beneficial in terms of sustainability (by reducing overall construction waste and embodied energy use), direct economic improvements, and future development initiatives.

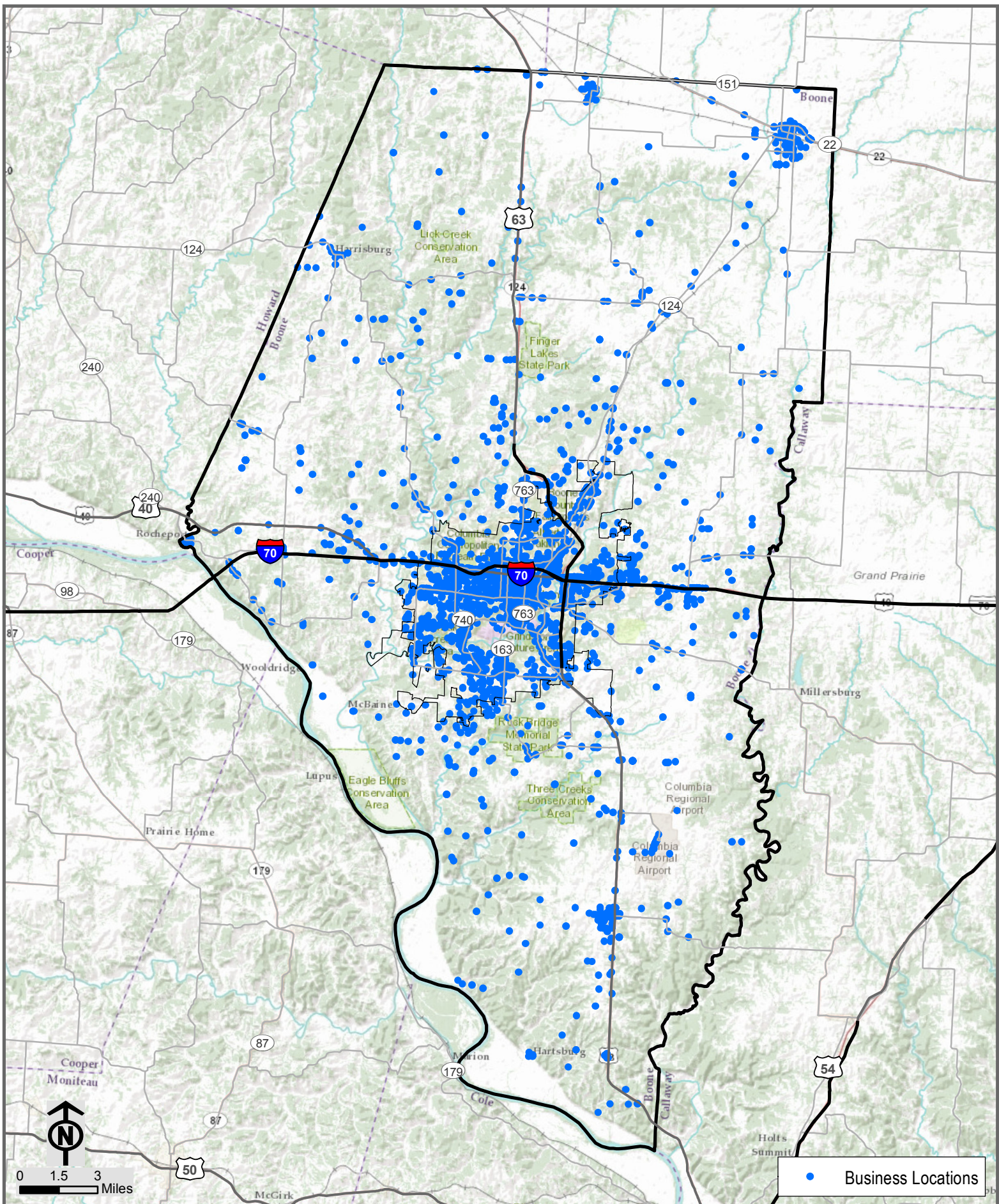
The following list includes projects we intend to highlight as case studies throughout the report. These projects demonstrate tangible benefits to the promotion of historic preservation in Columbia:

- Atkins City Centre/Strollway Center – built in 1911, first development to utilize historic tax credits in Columbia;
- Miller Building – built in 1910, rehabilitated in 2005;
- Matthews Building – built in 1894, rehabilitated in 2005;
- Hamilton-Brown Shoe Factory – built in 1906, rehabilitated in 2008;
- Tiger Hotel, built in 1928 – under current renovation;
- Columbia Hall – Stephens College, built in 1919 (expanded in 1937), LEED certified rehabilitation project;

- Parker Building – built in 1907, renovation/planning currently in development.

Case study research is ongoing and currently in development. The list above includes projects with quantifiable economic and sustainable effects. These studies will be outlined throughout the report to further explain the benefits of historic preservation to the city, community, and region.

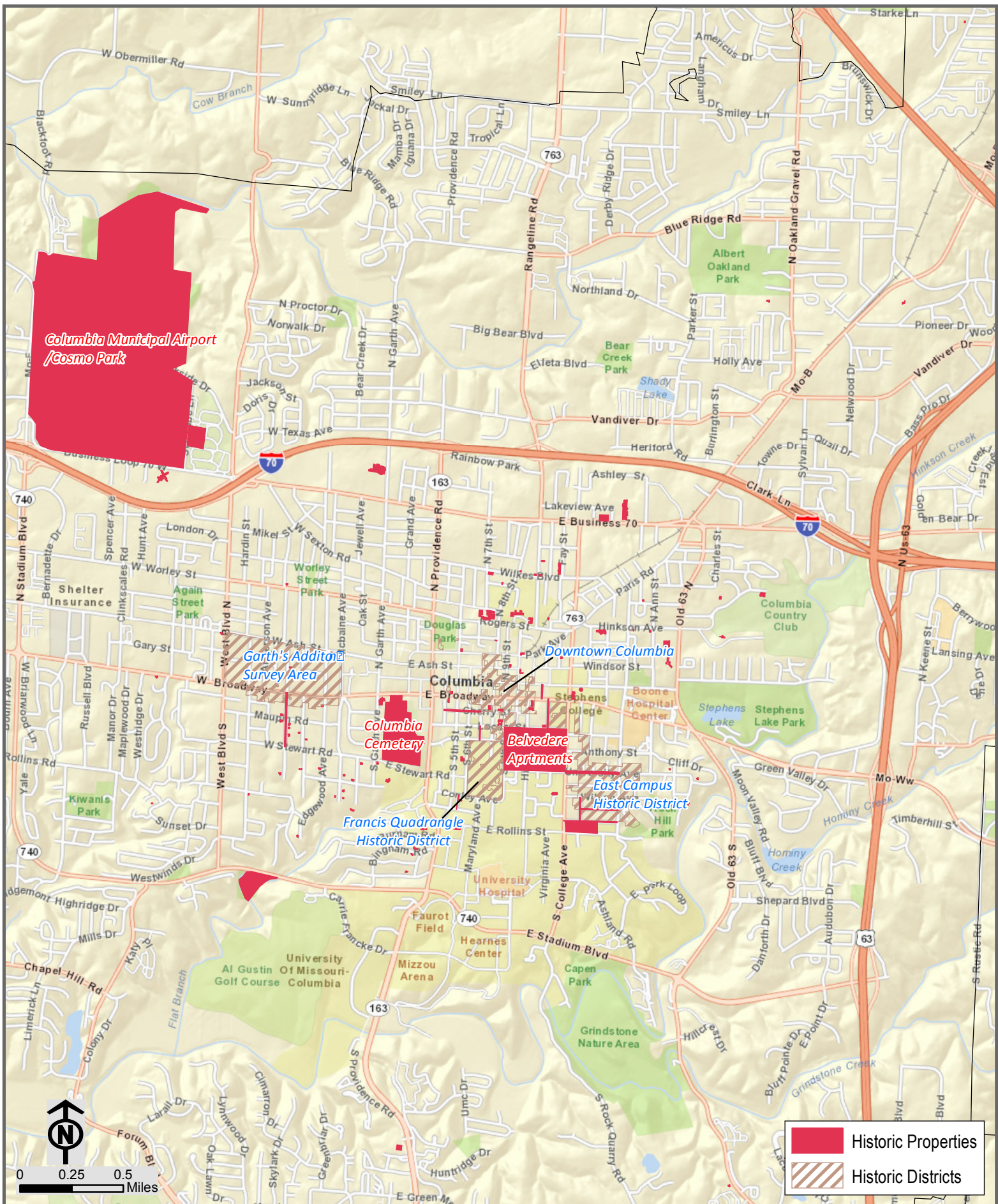




## TOTAL BUSINESSES

Economic Impact of Historic Preservation  
City of Columbia, Missouri





# HISTORIC DISTRICTS AND PROPERTIES

Economic Impact of Historic Preservation  
City of Columbia, Missouri



## Historic Projects

### by Tax Credits Awarded



\$96,297.31 - \$250,000.00



\$250,000.01 - \$500,000.00



\$500,000.01 - \$1,000,000.00



\$1,000,000.01 - \$2,000,000.00

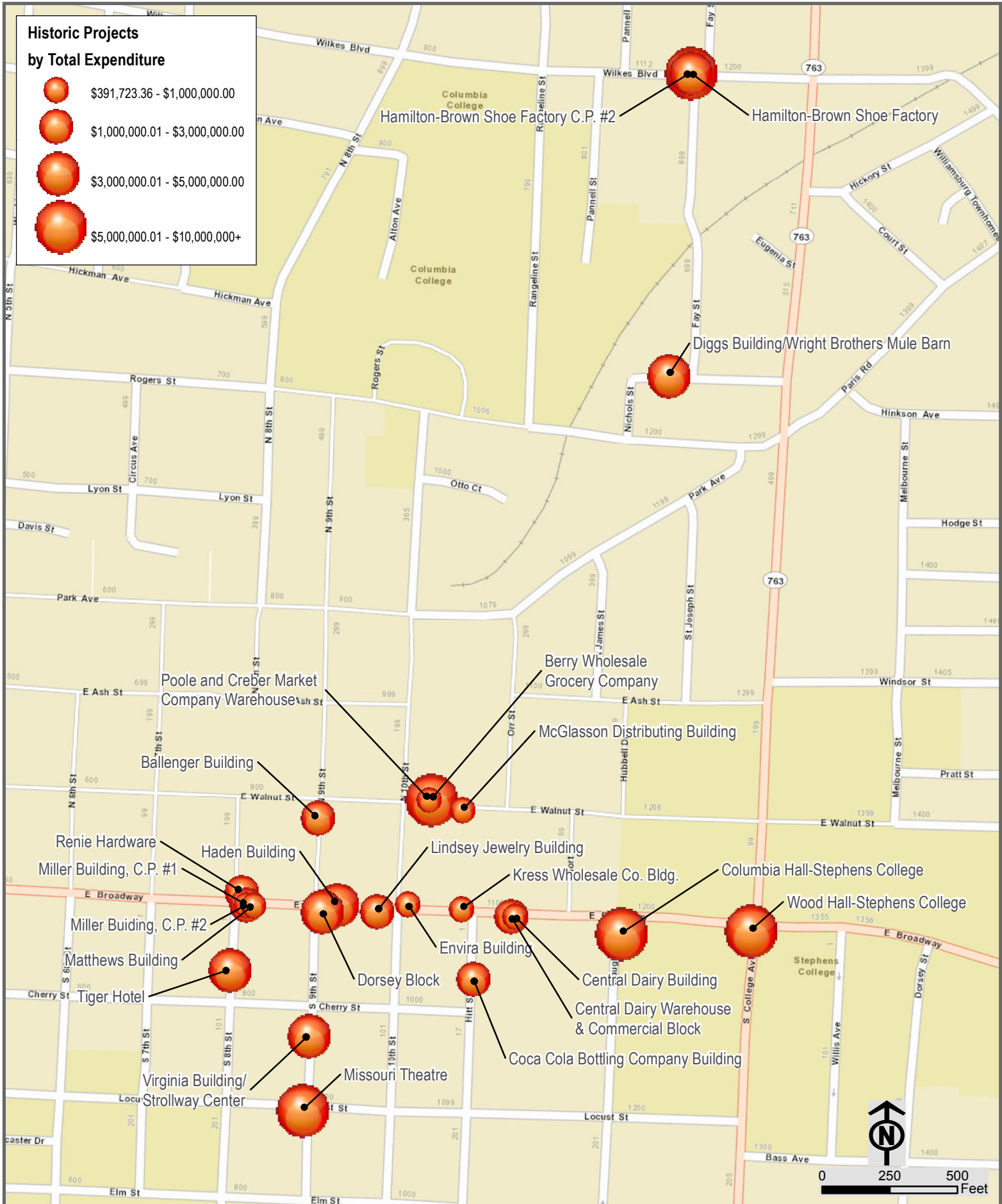
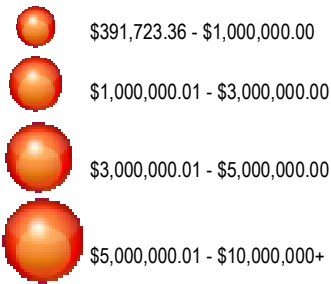


0 250 500 Feet

## HISTORIC PROPERTIES BY TAX CREDITS AWARDED

Economic Impact of Historic Preservation  
City of Columbia, Missouri

## Historic Projects by Total Expenditure



## HISTORIC PROPERTIES BY TOTAL EXPENDITURE

Economic Impact of Historic Preservation  
City of Columbia, Missouri